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UNITED STATES GENERAL ACCOUNTING OFFICE  
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TESTIMONY OF  
HARRY S. HAVENS  
ASSISTANT COMPTROLLER GENERAL  
OF THE UNITED STATES  
BEFORE THE  
SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY  
COMMITTEE ON GOVERNMENT OPERATIONS  
U.S. HOUSE OF REPRESENTATIVES  
ON  
H.R. 5247, THE CONGRESSIONAL BUDGET ACT  
AMENDMENTS OF 1984



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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to share with you our views on H.R. 5247, the Congressional Budget Act Amendments of 1984.

Our nation is facing critically important fiscal, budgetary, and financial management issues in the coming years. Decisionmakers will face many hard choices on budget levels and allocations. Under these demanding circumstances, we believe it is imperative that our government--including both the legislative and executive branches--simplify, streamline, and strengthen its financial management systems.

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In considering H.R. 5247, we believe it is important to view the congressional budget process as part of a larger system. Congress' budget actions are unavoidably intertwined with those of the executive branch, and all budget actions have significant effects throughout the government and the nation. Thus, difficulties and delays in congressional action have widespread reverberations in the executive branch, state and local government, and the private sector. Therefore, we believe it is important and increasingly urgent that Congress find ways of simplifying and streamlining its part of the process.

H.R. 5247 represents a thoughtful and careful attempt to improve the congressional budget process. It is the product of the House Rules Committee Task Force on the Budget Process, which conducted a two year review of congressional budget reform issues. The task force, and particularly its chairman, is to be commended for the time, effort and energy given to the review. The bill would make numerous adjustments in the way Congress handles budget resolutions and related legislation. Many of these changes are consistent with our view that the congressional budget process needs to be streamlined.

The bill would also expand the coverage of the process. We fully support the provisions for bringing on budget a number of agencies and activities which are now (or were planned to be) off budget. We have expressed our concern about this matter on

numerous occasions. We also support the strengthening of the credit budget process, the effort to bring tax expenditures within the purview of the process, and the task force recommendation for better capital investment information.

Each of these changes would represent a useful step forward for congressional budget formulation. However, the problems with the congressional process addressed by H.R. 5247, while highly visible and in urgent need of improvement, are only part of the problem.

The executive branch part of the government's financial management structure--its planning, budgeting, and accounting systems--are also badly in need of major overhaul. These problems are less visible but equally real. And just as congressional procedures impinge on the executive branch, the weaknesses in the executive part of the structure affect the Congress. Failure to correct those weaknesses will leave the Congress dependent--as it is now--on information which is often unreliable, inconsistent, and outdated.

Thus, improvements in the congressional process should be seen as an essential element in a much broader strategy for overhauling the federal financial management structure as a whole. If reforms are limited to the congressional part of the structure, as would generally be the case with H.R. 5247, we are concerned that many of our budget process problems will remain and that you will be disappointed in the results. While we support many of the changes proposed in H.R. 5247, those changes

represent only a small portion of the reform we believe to be needed. They do not reach the fundamental problems in our financial management structure.

The difficulties experienced by the Congress in its budget process are the most visible sign of some basic, underlying problems in the entire federal financial management system. These systemic problems begin with the lack of good financial information and reporting on the costs and performance of government operations, organizations, projects, and programs. Our current financial management systems are outmoded, and inadequate when it comes to the integrity, comparability, completeness, and timeliness of information on the operations, financial condition, and performance of the government. The lack of such information limits government decisionmaking at all levels, including the Congress. In addition, our current financial management system is costly, inefficient, and does not take full advantage of modern computer and telecommunications technology.

If budget reforms don't ensure that the executive develops and reports better budget and financial information to Congress for use in its budget process, timely and well-considered congressional action on the budget will be difficult at best.

Consequently, we also believe it is time to begin building a modern financial management structure for the federal government. This structure should have the following key elements:

1-- Strengthened Accounting, Auditing and Reporting:

Effective financial management must start with complete, reliable, consistent and timely information. Government financial systems must be designed to produce that information. Routine and special reports must be timely, useful, and readily understandable, and the reliability of the information must be assured through effective auditing procedures.

2-- Improved Planning and Programming:

Many of the most pressing national issues cannot be adequately considered using a narrow, short-term focus. A modern financial management system should include a structured process for considering those issues, one which focuses attention on major issues, identifies alternative courses of action and analyzes their probable future consequences.

3-- Streamlined Budget Process:

The federal budget process must be made more manageable if it is to be effective. Reform is needed in both Congress and the executive branch. This effort should concentrate on eliminating unnecessary repetition, detail, and obstacles to action. The system and its operating procedures must be designed so that program managers, policy officials and Members of Congress can focus on the difficult budget choices that must be made.

#### 4-- Systematic Measurement of Performance:

Effective management of resources requires examining the results of government activities as well as their costs. The financial management system must be designed to provide consistent data about both performance and costs as a basis for assessing the efficiency and efficacy of operations.

For this sort of fundamental reform to take place, consensus will be needed within the Congress and among the key financial management agencies such as OMB, CBO, Treasury and GAO--first, consensus on the problems facing us, then consensus on the approach to be taken to solve the problems.

Given the extent and magnitude of the problems and the diversity of opinion regarding the issues and ways to resolve them, we believe it is too early at this point to try and develop a specific set of reform proposals. Rather, we need to start by seeking to build a consensus about the financial management problems and issues which need to be addressed and resolved. Only if we can agree on the problems will it be possible to agree on the solutions. And that sort of agreement is absolutely essential if there is to be the long-term commitment necessary to implement the sort of reform we believe to be needed.

Our draft report on financial reform, which we have shared with you and other interested members, is only a starting point for the reform process. The next step should be open debate about the issues which we and others have raised.

Once there is reasonable consensus on the issues and the general direction of their resolution, the technical experts in the responsible agencies should be assigned jointly the task of developing specific proposals for dealing with them.

We, recognize of course, that reforming the financial management structure is no panacea for difficulties with the budget. Political consensus has been difficult to forge on the hard budget choices we face. No process can force these decisions. A modern structure for managing government finances will not cause the budget deficit to disappear, nor will it make difficult budget decisions easy. But it can ensure that congressional and executive branch officials receive timely, reliable, and consistent information with which to make those decisions.